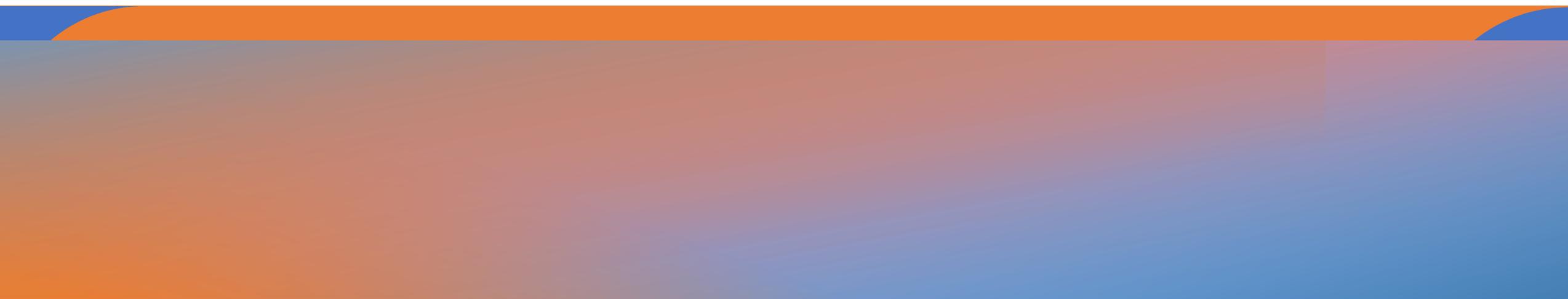
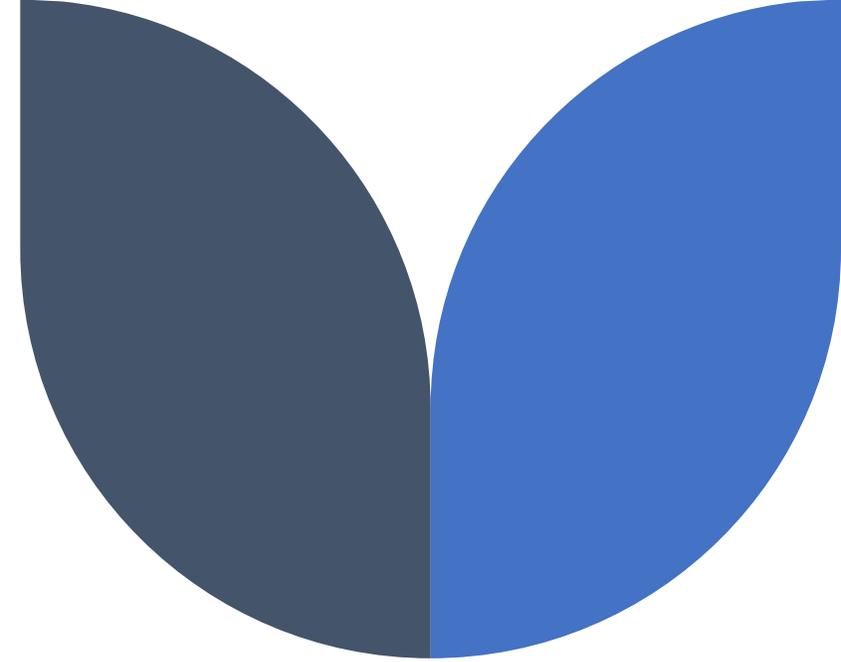


# Purchasing a Medical Practice

The basics you need to know



# Topics



# What exactly are you purchasing?

Always clarify what is and is not included in the sale and make sure you undertake due diligence. Consider whether the following assets are included in the sale?

- ❖ Goodwill of the practice, which may include:
  - ❖ Patient records and lists;
  - ❖ Appointment lists;
  - ❖ Real lists; and
  - ❖ Referring doctors' lists
- ❖ Business name;
- ❖ Business intellectual property;
- ❖ Plant and equipment;
- ❖ Outstanding debts;
- ❖ Property lease and/or equipment; and
- ❖ Benefit of staff contracts

# Make sure you understand the sale process

There are 3 basic steps in any sale of business:

- ❖ **Negotiation**: The parties informally discuss what is being sold, and for what value. A document called the Head of Agreement will often be entered into. Usually, the seller will be responsible for drafting the Sale Agreement and forward a draft to the purchaser for review;
- ❖ **Exchange Contracts**: The parties sign the agreed Sale Agreement and the purchaser pays the deposit (if any); and
- ❖ **Completion**: This is the date the sale is completed and the purchaser pays the balance owing and receives the assets.

# Apportion the purchase price

- ❖ It is important to apportion the purchase price.
- ❖ Stamp duty is not payable on goodwill and intellectual property, but it may be payable on other assets.
- ❖ The Sale Agreement must explicitly state each asset's value. Advice should be obtained from your personal accountant specific to your individual circumstances.
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# What about the premises?

- ❖ Decide whether you will operate the practice from the same premises or a new location.
- ❖ If you will operate from the same premises, should the sale be contingent upon you obtaining a long-term lease?

# Privacy obligations

- ❖ Make it clear in the Sale Agreement how obligations under the Health Records and Information Privacy Act (2002) (NSW) and the Privacy Act (1988)(Cth) (if applicable) will be met.
- ❖ For example:
  - ❖ How and when will the purchaser store, and maintain and destroy patient file?
  - ❖ How will the seller access records for medico-legal purposes?
  - ❖ Will there be an access fee?
  - ❖ It may be necessary to include a requirement that records are maintained in the event of retirement.

# Do you need a restrictive covenant?

- ❖ You may wish to restrain the selling practitioner from practicing medicine within a certain distance of your new business for a specified time period.
- ❖ However, you must ensure that any restraint is reasonable.
- ❖ Legal advice should be obtained to ensure any restraint is legally enforceable.

# GST and Stamp Duty

- ❖ If you are purchasing a practice that will not be considered to be the sale of a going concern then you (the purchaser) will be liable to pay GST on the sale. This will increase the purchase price.
- ❖ You should seek legal and accounting advice about whether GST and/or stamp duty is payable.

# Keep communicating

- ❖ Save money, time and frustration by keeping communication channels open.
- ❖ Communicate all changes relating to the terms of the sale as soon as possible.
- ❖ A statement will get you nowhere.

# Try to sideline emotions

- ❖ This is harder said than done.
- ❖ The seller might be selling their life-long practice, and you may be spending a lot of money.
- ❖ Expect emotional highs and lows and try to keep them separate from the terms of the negotiations itself.

# After the sale

- ❖ It is important to take out practice insurance commencing the date the sale is completed and to ensure new contracts are in place so you are ready to start practicing.

# Final words of advice

- ❖ Remember: it is up to you, the buyer, to do as much homework as possible about what you are buying.
- ❖ That homework also often involves a lot of legwork!
- ❖ And finally...
- ❖ **Don't sign anything until you have had it checked and you are sure.**
- ❖ Good luck and enjoy the journey!

Thank you

